

MONTHLY REVENUE REPORT

October 2005

Tax collections in October came in stronger than expected. The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$2.59 billion in October, which was up 13.3% from last year's level. This marked the fifth time in the past six months that tax collections have topped the year-ago level. The increase in tax collections in October was well distributed among the major taxes. Tax collections were up for the income, sales, use, single business, insurance, State education property, and oil and gas severance taxes. Taxes that experienced a reduction in collections from last year's level included the tobacco, real estate transfer, and estate taxes. While collections demonstrated a strong pace of growth in October, it appears that the increase in the State education property tax and some of the increase in the single business tax, were due to timing issues that boosted October collections, but probably at the expense of November collections.

While FY 2004-05 ended on September 30, 2005, much of the tax revenue collected in October will be accrued back to FY 2004-05. Based on Generally Accepted Accounting Principals (GAAP), tax revenue collected in October that became a liability before October 1, 2005, will be accrued back to FY 2004-05. Cash collections from November 2004 through October 2005 are up 7.0%, which is above the 3.3% consensus estimate. The final level of tax collections for FY 2004-05 will be determined after all accruals and book-closing adjustments are made, which is scheduled to be completed in December. While it is very difficult to estimate these year-end adjustments, based on the information currently available, it appears that FY 2004-05 tax collections will top the August consensus estimate in the range of \$200.0 million to \$230.0 million.

Income tax revenue totaled \$573.5 million in October, which was up 8.1% from last year. Gross collections were up 5.8% and income tax refunds fell below last year's level by 26.8%. Based on cash collections through October, income tax collections are up 2.9%, which is slightly above the consensus estimated growth rate of 2.4%.

Sales tax receipts totaled \$545.9 million in October, which was up 5.2% from the year-ago level. This healthy increase occurred despite a sharp 30.4% decline in sales tax revenue derived from motor vehicle sales. This decline was more than made up for by an 11.9% increase in the sales tax revenue derived from all other taxable retail sales. So far in FY 2004-05, sales tax collections, on a cash basis, are up 3.5%, which is running ahead of the consensus growth rate of 2.3%.

Single business tax collections totaled \$260.4 million in October, which represents a 42.9% increase from the year-earlier level. It appears that some of this growth is due to a timing issue. Last year October ended on a weekend, which caused some of the quarterly payments due on October 31, to spill over into November. This year, however, it ended on a Monday, which helped bolster October collections. Therefore, some of the gain realized in October will be offset by lower November collections. On a fiscal year-to-date basis, single business tax collections are up 10.9%.

State education property tax revenue totaled \$924.4 million in October, which was up 17.3% from last year's level. It appears that this large increase is due to differences in the timing of collections this year compared with last year. This State tax is collected by local governments, which subsequently remit it to the State. Last year a large amount was collected from local governments during the book-closing adjustment period, but this year it appears that locals are remitting this tax earlier. While State education property tax cash receipts through October are up 17.8%, which is well ahead of the consensus estimate, once the book-closing adjustments are made, State education property tax revenue for FY 2004-05 is expected to be very close to the consensus estimate.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for October 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the August 2005 Consensus Revenue Estimating Conference.



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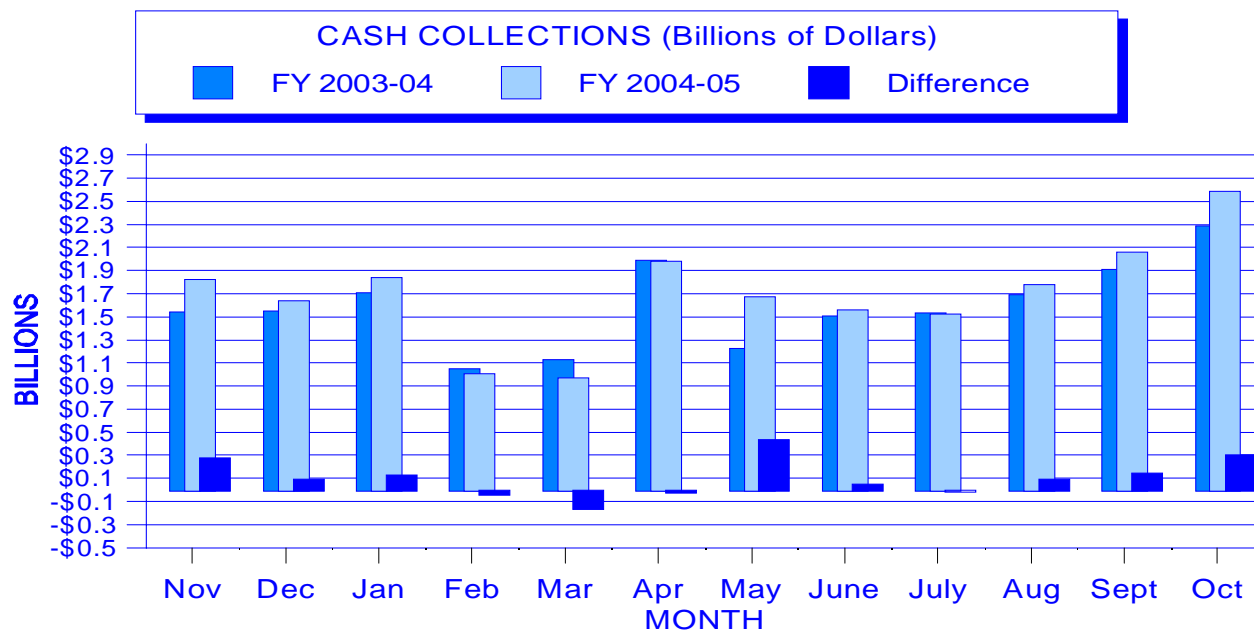
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**MICHIGAN REVENUE UPDATE
OCTOBER 2005
(dollars in millions)**

Type of Revenue	October Collections		FY 2004-05 to Date ²⁾		FY 2004-05 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2003-04
Gross Income Tax	\$601.1	5.8%	\$7,705.7	3.4%	\$7,676.3	2.8%
Refunds	(27.6)	(26.8)	(1,639.3)	5.4	(1,660.7)	4.2
Net Income Tax	\$573.5	8.1%	\$6,066.4	2.9%	\$6,015.6	2.4%
Sales Tax	545.9	5.2	6,642.0	3.5	6,624.5	2.3
Motor Vehicles	57.0	(30.4)	799.2	(12.3)	---	---
All Other Sales Tax	488.9	11.9	5,842.8	6.1	---	---
Use Tax	119.4	21.6	1,418.2	8.8	1,385.6	5.2
Tobacco Taxes	103.1	(1.3)	1,185.2	23.6	1,164.2	17.3
Single Business Tax	260.4	42.9	1,972.7	10.9	1,885.7	3.2
Insurance Tax	28.3	8.0	243.2	5.6	236.3	2.6
State Education Property Tax	924.4	17.3	1,931.1	17.8	1,854.0	1.6
Real Estate Transfer Tax	28.3	(6.9)	318.1	(1.2)	316.0	(0.5)
Estate/Inheritance Tax	0.3	(91.7)	103.5	32.0	30.0	(60.3)
Casino Wagering Tax	0.8	14.3	145.8	51.1	147.0	47.7
Oil & Gas Severance Tax	7.5	53.1	66.7	31.6	65.0	13.8
Total	\$2,591.9	13.3%	\$20,092.9	7.0%	\$19,723.9	3.3%
Addendum:						
Gross Lottery Sales ⁴⁾	\$177.3	2.2%	\$2,045.4	3.5%	\$2,059.8	4.4%
Net to School Aid Fund ⁴⁾	\$ 60.3	7.9%	\$ 652.3	0.9%	\$ 641.0	(0.6)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the August 17, 2005, Consensus Revenue Estimating Conference.
4) Lottery revenue is not accrued, so October lottery revenue is included in FY 2005-06.

**Actual Revenue Collections for Major State Taxes*
November 2003 to October 2005**



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.